TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

HB 2227 - SB 2471

March 16, 2012

SUMMARY OF BILL: Authorizes a county trustee to collect registration information and applicable registration fees related to leased and subleased units, only if such county does not currently contain an agency or department with such responsibility. Increases, from $10 to $20, the landlord registration fee. Ten dollars of the fee shall be allocated to the applicable agency, department, or county trustee in charge of collecting such information and the remaining $10 will be allocated to the Comptroller's office for the purpose of implementation and administration of its online database of property assessment information. Requires a landlord to define dwelling units between leased and subleased units at the time the landlord submits registration information. Requires the applicable agency, department, or county trustee to provide the Comptroller all property assessment information it receives annually. Requires the Comptroller to include such information in the online database.

Authorizes a county legislative body to establish a committee to assess and collect fines on landlords who fail to register appropriately, if such county does not currently contain an agency or department with such responsibility. Requires landlords to collect and maintain approved identification records of all tenants. Any landlord who fails to maintain a tenant's approved form of identification will be fined $500 for each separate violation by the entity responsible for fine collections. Prior to assessment of the fine, the landlord shall be provided an opportunity to be heard and shall be notified of such hearing. Requires the Department of Safety to conduct a study to measure other states' license issuance requirements. The Department is required to provide a publicly accessible list of states that are at least as strict as Tennessee on its website and periodically update the list as necessary.

ESTIMATED FISCAL IMPACT:

Increase State Revenue - $85,100/FY12-13
$170,300/FY13-14 and Subsequent Years

Increase State Expenditures – Exceeds $200,000/FY12-13 and Subsequent Years

Increase Local Revenue – $10,800/FY12-13
$21,500/FY13-14 and Subsequent Years

Increase Local Expenditures – Exceeds $219,800/FY12-13 and Subsequent Years*

Assumptions:

- According to the Metro-Nashville Department of Codes and Building Safety, there are 4,600 landlords in Davidson County.
- According to the 2010 Federal Census, Davidson County had a population of 626,681.
- In Davidson County there is one landlord per every 136 residents (626,681 / 4,600).
- According to the 2010 Federal Census, Tennessee had a population of 6,346,105.
- It is estimated that in the top five most populous counties (Shelby, Davidson, Knox, Hamilton, Rutherford), the number of landlords per capita is similar to Davidson County.
- According to the 2010 Federal Census, the total population for these five counties totaled 2,585,618 (Shelby: 927,644; Davidson: 626,681; Knox: 432,226; Hamilton: 336,463: Rutherford: 262,604).
- It is estimated that within these five counties, there are 19,012 landlords (2,585,618 / 136).
- It is presumed that the remaining 90 counties have a smaller number of landlords per capita in relevance to the 5 most populous counties.
- It is estimated that the 90 remaining counties had one landlord per 250 residents.
- The total population of the 90 remaining counties is 3,760,487(6,346,105 – 2,585,618).
- It is estimated that within these 90 counties, there are 15,042 landlords (3,760,487 / 250).
- It is estimated that within Tennessee, there are 34,054 landlords (19,012 + 15,042).
- Under current law, county departments and agencies are authorized to collect a $10 landlord filing fee. The landlord compliance rate is estimated to be 50 percent. As a result, current landlord filing fee revenue is estimated to be $170,270 (34,054 x 50.0% x $10) per year. One hundred percent of such fee revenue is retained by the collecting local government entity.
- This bill increases the landlord filing fee by $10, with such incremental fee revenue being allocated to the Comptroller's Office for the purpose of implementation and administration of its online database of property assessment information.
- Under this bill, recurring landlord filing fee revenue is estimated to be $340,540 (34,054 x 50.0% x $20). Given that the collecting local government entity will continue to retain the first $10 of the $20 proposed fee, any change in local fee revenue will be not significant. The recurring increase in state revenue for the $10 portion allocated to the Comptroller's Office is estimated to be $170,270 ($340,540 x 50.0%).
- Stated provisions will be fully enacted on January 1, 2013. As a result, the increase in state revenue for FY12-13 is estimated to be 50 percent, or $85,135 ($170,270 x 50.0%), of the first full-year impact (FY13-14).
- The provisions of the bill require landlords to maintain copies of identification on the tenants leasing their properties. Failure to maintain proper identification may result in a $500 fine (as proposed) for each separate offense. Given the prohibitive fine, the landlord compliance rate is estimated to be 75 percent. Therefore, approximately 8,514 landlords (34,054 x 25%) will fail to comply each year. It is estimated that five percent (or 426 landlords) will be cited for violations each year.

- Prior to the assessment of the fine, the landlord shall have an opportunity to appear for a hearing. It is assumed that if the landlord is able to provide the required information, that the fine will not be assessed. Given the prohibitive potential fine, it is assumed that 90 percent (or 383 landlords) will be able to obtain and produce the required information. The remaining ten percent (or 43 landlords) will be fined. This fine revenue will be retained by the collecting local government entity; therefore, a recurring increase in local revenue estimated to be $21,500 (43 fines x $500).
- Stated provisions would be fully enacted on January 1, 2013; as a result, the increase in local revenue for FY12-13 is estimated to be $10,750 ($21,500 x 50.0%).
- County legislative body members are commonly paid a per diem when meetings are held. It is presumed that any hearing held for a landlord to appeal a fine will be conjoined with a regularly scheduled meeting and any increase in local expenditures for paying members will not be significant.
- According to the Department of Safety, any cost to conduct a national study on other states' issuance requirements and to post such findings on its website will not be significant.
- According to the County Technical Assistance Service, there will be high administrative costs associated with county trustees having to maintain personal and confidential information on tenants across Tennessee because landlords will likely provide such county trustees the required records in hard-copy formats. It is assumed that county departments or agencies will either have to maintain and safeguard the provided hard-copied records or convert such records into electronic formats. The recurring cost for storing, or converting records, is reasonably estimated to exceed $1,000 per county per year; as a result, the recurring increase in local expenditures is estimated to exceed $95,000 (95 counties x $1,000) statewide.
- At least four counties (Shelby, Davidson, Knox, and Hamilton) will need an additional file clerk to help file the larger number of confidential records and send the appropriate information to the Comptroller.
- On average, a county file clerk earns $31,190 ($22,000 salary + $9,189.60 benefits) per year.
- The recurring increase in local expenditures for additional personnel is reasonably estimated to exceed $124,760 ($31,190 x 4).
- The total recurring increase in local expenditures is estimated to exceed $219,760 ($95,000 + $124,760).
- It is estimated that the Comptroller's Office will require additional resources to implement the provisions of this bill. Specifically, the Comptroller may require additional personnel to handle the extent of records filed by county trustees, additional document storage space, and increased capacity to convert hard-copy documents into electronic formatted documents. Based on the extent of increased local expenditures, the recurring increase in state expenditures is reasonably estimated to exceed $200,000.

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Lucian D. Geise, Executive Director

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